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STATE TREASURER

**TO:** Participating Schools and Lenders

**FROM:** Diane Todd Sprague, Director

**DATE:** March 18, 2005

**SUBJECT:** Educational Loan Notes

**COLLEGE GOAL SUNDAY, FEBRUARY 13, 2005**

College Goal Sunday marked its second annual event in Michigan on February 13, 2005. Michigan was one of 23 states participating in this national event, hosting 20 sites and serving the needs of more than 1,500 students and families. College Goal Sunday focuses on assisting students and families in completing the Free Application for Federal Student Aid (FAFSA). More than 150 student financial aid professionals from Michigan colleges and universities and from the Bureau of Student Financial Services volunteered their time to assist students and families – many who were filing the FAFSA for the first time.



Each year, a few more of the College Goal Sunday host sites have been able to provide Internet service allowing students and families to file their FAFSAs online. (According to the federal processor, 80 percent of students and families file the FAFSA online.) College Goal Sunday can provide a great opportunity for students to file online with a student financial aid professional available to help them.

The Partnership for Learning coordinates Michigan College Goal Sunday activities. Additional partners are: the Michigan Student Financial Aid Association, Michigan Guaranty Agency (MGA), Lumina Foundation for Education, Grand Rapids Community Foundation, Jackson County Community Foundation, Association of Michigan School Counselors, Michigan Association of Non-Public Schools, Michigan Association of Public School Academies, Michigan Association of School Administrators, Michigan Council for Economic Education, Michigan Department of Education, Michigan Department of Labor and Economic Growth, Michigan Department of Treasury, Association of Michigan School Counselors, Michigan Association of Secondary School Principals, Michigan Parent Teacher Association, Office of the First Gentleman Daniel Granholm Mulhern, and the Presidents Council-State Universities of Michigan.



**INSIDE THIS ISSUE**



<i>Default Aversion</i>	
<i>Best Practices Symposium.....</i>	<i>Page 2</i>
<i>MGA 2005 Spring School Workshops.....</i>	<i>Page 3</i>
<i>MGA Completes Move to New Offices.....</i>	<i>Page 3</i>
<i>"ED" Pipeline.....</i>	<i>Page 4</i>
<i>School List Updates .....</i>	<i>Page 4</i>
<i>"Q" and "A" .....</i>	<i>Page 5</i>
<i>Calendar of Upcoming Events.....</i>	<i>Page 7</i>



**2005 DEFAULT AVERSION BEST PRACTICES SYMPOSIUM**

There is still time to register for the 2005 Default Aversion Best Practices Symposium scheduled for Tuesday, March 29, 2005, at the Schoolcraft College VisTaTech Center in Livonia, Michigan. Whether you are coming to share or simply observe, this symposium is an excellent opportunity to gain insights into today's best practices in default aversion.

The symposium will be highlighted by two prominent and nationally acclaimed authorities on financial literacy:

Laura Levine, Executive Director of the JumpStart® Coalition, has worked with students, parents, schools, and non-profit organizations throughout the country in building a heightened awareness about early financial literacy with young adults. JumpStart works closely with Congressional leaders in finding ways to include financial literacy in today's educational curriculum. Ms. Levine recently presented at the National Council of Higher Education Loan Programs (NCHELP) Fall Training Conference on Personal Financial Literacy.

Carl George, CPA, currently chairs the National CPA Financial Literacy Commission sponsored by the American Institute of Certified Public Accountants (AICPA). AICPA authored *360 Degrees of Financial Literacy*, a multi-faceted, comprehensive approach to advancing financial education. The program focuses on financial literacy topics that apply specifically to a particular stage of life from school children to retirees. The section devoted to college students promotes their ability to make wise financial choices, understand money and financial issues, and plan for their financial futures, thereby avoiding excessive debt and eventual default.

Additionally, breakout sessions will allow schools to talk openly about some of the default aversion activities that have worked well at their own institutions. These open forums will allow directors, associate directors, default aversion specialists, and others interested in financial literacy or default aversion to collaborate on default aversion activities. Following are your financial aid colleagues who have graciously volunteered to facilitate the breakout sessions:

Stephanie Petsch, Assistant Director-Loans  
Office of Financial Aid  
Eastern Michigan University

Rick Shipman, Director  
Office of Financial Aid  
Michigan State University

Linda Sigh, Associate Director  
Office of Financial Aid  
Michigan State University

Although MGA has seen a dramatic decrease in its cohort default rate and many schools have experienced similar results, more can and should be done. Student loan default is a challenge that everyone in the financial aid community shares. Helping students avoid the consequences of default not only benefits schools, but can also be a personally rewarding experience! The symposium will concentrate on specific action schools can take to directly decrease their cohort default rates. The focus of the symposium will be on financial literacy and comprehensive default aversion strategies, with an emphasis on some of the best practices from around the country.

We hope you can join us for this special event. Registration and continental breakfast will begin at 9:00 a.m., with the first session starting at 9:30 a.m. Lunch will be provided, and we plan to conclude at approximately 3:00 p.m.

Registration materials were sent via email February 10, 2005. You may also register online by going to our Web site at [Michigan.gov/mistudentaid](http://Michigan.gov/mistudentaid). On our homepage listed under "What's New" is a link to the online registration form. If you have any questions concerning the symposium, please email Justin Draeger at [draegerj@michigan.gov](mailto:draegerj@michigan.gov), or call 1-800-642-5626, extension 31940.





### MGA 2005 SPRING SCHOOL WORKSHOPS

It's time to mark your calendars for MGA's 2005 Spring School Workshops. These workshops offer an interactive format to provide you with the latest information to help you administer federal student loans and other aid programs. As always, there is no cost to your institution for attendance at our workshops. Tentatively, the workshops will cover the following topics:

- **Policy and regulatory update**
- **NSLDS conflict resolution**
- **Return of Title IV funds**
- **IRS: What every financial aid officer should know.**
- **VA benefits**
- **Developing a policy and procedures manual.**

Workshops will be held on May 17, 2005, at Grand Valley State University, Allendale, and on May 19, 2005, at the VisTaTech Center at Schoolcraft College. Registration and continental breakfast will begin at 8:30 a.m. with the first session starting at 9:00 a.m. Lunch will be provided, and we plan to conclude at approximately 3:00 p.m.

Registration materials will be sent via email in April. If you have any questions or concerns regarding registration, please contact Stacy Cardwell at extension 36074. Other questions pertaining to the workshop should be directed to Jim Swisk at extension 37121.



### MGA COMPLETES MOVE TO NEW OFFICES

After a whirlwind four days the dust has settled, literally, and as we look around, we find ourselves in different surroundings. Everything is neat and clean, and with the exception of some final unpacking, organized.

Preceding us to our new offices were approximately 880 large orange crates filled with



Bright orange crates filled with files and supplies line the hallways of the Hannah building waiting to move to the Treasury Building.

files, supplies, and personal mementos, gathered for some over the course of the past 25 years. First went the computers, printers, and telephones followed by pallets of chairs and mobile file cabinets. Little by little staff followed their crates and computers to unpack and set up in their new location.

Not everything and everyone arrived at the same destination, however. Half of MGA turned left and ended up about a block away in the Treasury Building. The other half (the Claims and Collections Section) turned right and found themselves some 16 miles away in the Treasury Operations Center.

Those of us who moved to the Treasury Building retained our telephone numbers, and the mailing address remains the same. The building address for overnight packages has changed to:

**Treasury Building, 3rd Floor  
430 West Allegan  
Lansing, Michigan 48922-0001**



Our offices at the Treasury Building.

*(Continued on the next page.)*



Claims and Collections staff has new telephone numbers and a new building address for overnight packages:

**Operations Center  
7285 Parsons Drive  
Dimondale, Michigan 48821**

**New Fax Number:  
517-636-0655**



Treasury Operations Center

Attached to this issue of *Educational Loan Notes* are updated telephone lists which include the new building addresses.

Everyone at MGA has settled in and while the surroundings are different, our mission remains the same – to provide Michigan residents with optimum access to postsecondary educational opportunities through low-interest, long-term educational loans. Let us know if you need anything. We are here and ready to help.

### **“ED” PIPELINE**

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

**Dear Partner**  
**February 2005**  
**GEN-05-01**

This letter provides a brief overview of FSA’s plans to reengineer the front-end student aid process and invites experienced student aid officers to its spring conference to help prepare a vision for the future of student aid delivery.



**Dear Partner**  
**February 2005**  
**GEN-05-02**  
**FP-05-02**

This letter announces approval of the Teacher Loan Forgiveness Application and Teacher Loan Forgiveness Forbearance Form for the Federal Family Education Loan Program (FFELP) and the Federal Direct Loan Program (FDLP).

**Dear Partner**  
**February 2005**  
**GEN-05-03**  
**FP-05-03**

This letter announces the approval of a revised unpaid refund loan discharge application and provides guidance on the implementation of the revised form.

### **SCHOOL LIST UPDATES**

The following changes should be recorded by lenders on MGA’s “Active Michigan School List” dated January 31, 2005. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

#### **Contact Name Change**

**Ave Maria College, Ypsilanti, 034743-00**  
Lesa Briggs is the new Financial Aid Director. Lesa’s email address is [lesa.briggs@avemaria.edu](mailto:lesa.briggs@avemaria.edu). Her telephone number and fax number remain the same.

#### **Title Change**

**Eastern Michigan University, Ypsilanti, 002259-00**  
Please change Stephanie Petsch’s title to Assistant Director-Loans.

**Michigan State University, East Lansing, 002290-00**  
Please change Linda Sigh’s title to Associate Director.

#### **Email Correction**

**Oakland Community College, Auburn Hills, 002303-04**  
Linda Perry’s email address is [Ljperry@oakland.cc.edu](mailto:Ljperry@oakland.cc.edu).



**“Q” AND “A”**  
**AUTHORIZED DEFERMENTS**

**What is a deferment?**

A deferment is a tool available to borrowers to help them meet their loan repayment obligations. A borrower is entitled to defer principal payments on a FFELP loan when certain applicable eligibility criteria are met.

**If a borrower knows they will not be able to make payments, should they apply for a deferment as soon as they graduate or withdraw from school?**

No, a borrower cannot receive a deferment on any loan until they have entered repayment on that loan. If a borrower graduates or falls below half-time status, the borrower may apply for a deferment on any previous loans where the entire grace period was used and for which immediate payments will be required.

**Who authorizes or grants a deferment?**

The lender or lender servicer grants all deferments for borrowers.

**How much time does a lender have to respond to a deferment request?**

A lender is required to act on any borrower's request for deferment within 30 days of its receipt. If a lender does not act within 30 days of a borrower's deferment request, any claim filed by the lender on the loan that was requested for a deferment may be returned or rejected by the guarantor.

**Can a lender refuse a borrower a deferment if the borrower meets the necessary criteria?**

No, a borrower cannot be denied a deferment if he or she meets the necessary criteria. In other words, borrowers are entitled to deferments if they meet the necessary criteria.

**What are the criteria a borrower must meet before he or she is deemed eligible for a deferment?**

There are several conditions under which borrowers qualify for deferment. Deferment eligibility varies depending on the type of loan, the type of deferment, and the date on which the borrower received his or her first FFELP loan.

**What are the different types of deferments?**

A borrower may apply for the following types of deferments:

- **Economic Hardship Deferment**: For borrowers who earn less than minimum wage or exceed a federally defined debt-to-income ratio.
- **\*ACTION Program Deferment**: For borrowers who are in full-time paid volunteer service with an organization participating in an authorized program under Title I of the Domestic Volunteer Act of 1973.
- **Graduate Fellowship Deferment**: For borrowers who are studying in an eligible graduate fellowship program.
- **In-School and Summer Bridge Deferment**: For borrowers that are full-time or half-time students at an eligible school. If it is anticipated that the borrower will be re-enrolling in the fall term after the student was enrolled in the spring term, the lender may grant a Summer Bridge Deferment.
- **Internship / Residency Deferment**: For borrowers who are giving service in an internship program that is required of the borrower before they begin a professional practice, or any service in a medical internship or residency training program that leads to a degree.

*(Continued on the next page.)*



- **\*Military Deferment**: For borrowers who are in "active duty" status in the U.S. Armed Forces (Army, Navy, Air Force, Marine Corps, and the Coast Guard). An additional deferment is available for those who are actively serving in the National Oceanic and Atmospheric Administration (NOAA) Program.
- **\*Parental Leave Deferment**: For borrowers who are pregnant or are caring for his or her newborn or newly adopted child.
- **\*Peace Corps Deferment**: For borrowers serving in the Peace Corps.
- **\*Public Health Service**: For borrowers who are serving as full-time officers in the Commissioned Corps of Public Health of the U.S. Public Health Service (USPHS).
- **Rehabilitation Training Program Deferment**: For borrowers who are receiving rehabilitation training for drug abuse, a mental health illness, or if they are receiving services from the Department of Veterans Affairs.
- **\*Tax-Exempt Organization Volunteer Deferment**: For borrowers who are giving full-time service to a tax-exempt organization comparable to ACTION or the Peace Corps.
- **\*Teacher Shortage or Targeted Teacher Deferment**: For borrowers who are teaching full-time in a school that is defined by the U.S. Department of Education as a teacher shortage school.
- **\*Temporary Total Disability**: For borrowers who have suffered temporary total disability or are caring for someone who is temporarily totally disabled.
- **Unemployment Deferment**: For borrowers who are conscientiously seeking but unable to find full-time employment in the United States.
- **\*Working Mother Deferment**: For mothers of preschool age children when the mothers are entering the workforce.

*\* This deferment is no longer offered to "New Borrowers July 1, 1993" as defined in the Common Manual 10.1.A.*

### **What happens if a student borrower has a loan that is already delinquent?**

If a lender learns that a delinquent borrower may be eligible for a deferment, the lender must explain to the borrower the conditions for obtaining a deferment. The lender must also grant the deferment to a borrower whose delinquent loan is not yet in default if the lender receives the documentation prior to default.

### **What happens if a student borrower has a loan in default, but learns that they were eligible for a deferment?**

A lender **MAY** grant a deferment to a borrower whose loan is in default if:

1. The lender receives the necessary documentation indicating the borrower's deferment eligibility.
2. The lender agrees to repurchase the loan from the Michigan Guaranty Agency.
3. The borrower makes payment arrangements acceptable to the lender that resolves the default prior to the payment of the default claim by the guarantor.

### **Where can I learn more about deferments?**

See the *Common Manual*, Chapter 10 for more information on authorized deferments. Deferments can be a powerful tool in helping students meet their financial aid obligations and avoid the consequences of student loan default.

Have a question you would like to ask? Contact Justin Draeger at extension 31940 or via email at [draegerj@michigan.gov](mailto:draegerj@michigan.gov) to submit your question or to suggest a topic you would like to see discussed in a subsequent issue of *Educational Loan Notes*.



# Calendar of Upcoming Events

## March 2005

- 22-24 U.S. Department of Education  
Spring Conference  
John Ascuaga's Nugget  
Reno, Nevada
- 29 MGA's Default Aversion  
Best Practices Symposium  
VisTaTech Center  
Schoolcraft College  
Livonia, Michigan

## April 2005

- 12 Mapping Your Future Evening Chat  
Deferments, forbearances, and default  
prevention

## May 2005

- 10 Guaranty Agency Advisory Committee  
State Library and Museum  
Lansing, Michigan
- 10 Mapping Your Future Evening Chat  
Student loan consolidation, forgiveness,  
cancellation, and discharge
- 17 MGA Spring School Workshop  
Grand Valley State University  
Allendale, Michigan
- 19 MGA Spring School Workshop  
VisTaTech Center  
Schoolcraft College  
Livonia, Michigan
- 30 MGA Offices Closed

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).



<p><b>1-800-MGA-LOAN</b> <b>(1-800-642-5626)</b></p> <p>Email Address <b>mga@michigan.gov</b></p> <p>Web Site <b>Michigan.gov/mistudentaid</b></p>	<p><b>DIRECTORY BY SUBJECT</b></p>  <p><b>MICHIGAN GUARANTY AGENCY</b> <b>P.O. Box 30047</b> <b>Lansing, Michigan 48909-7547</b></p>	<p><b>Fax Numbers</b></p> <p><b>Administration</b> 517-241-0155  <b>Audit/Program Review</b> 517-241-0155  <b>Claims and Collections</b> 517-636-0655  <b>Customer Services</b> 517-335-5983  <b>Guaranty Services</b> 517-241-0155  <b>Lender Services</b> 517-335-5983  <b>School Services</b> 517-241-0155  <b>Training and Dev.</b> 517-241-0155</p>
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A call to the above telephone numbers originating from a touch-tone telephone can be routed automatically by following the instructions you will hear.

#### ADDRESS UPDATE

Borrower .....	Customer Services .	1-888-272-5543
Lender .....	Lender Services .....	39639
School .....	School Services .....	36074

#### BANKRUPTCY

Lender or Borrower .....	Rich Ziebarth .....	60612
School .....	Linda Sanchez .....	39599

#### BORROWER DEBT

<b>MANAGEMENT REPORT</b> .....	School Services .....	36074
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#### CLAIMS

Disability and Bankruptcy .....	Tom Montgomery .....	60613
Repurchase .....	Tom Montgomery .....	60613
Resubmission .....	Tom Montgomery .....	60613
Returned or Rejected Claims .....	Tom Montgomery .....	60613
Supplemental Payment Requests ..	Tom Montgomery .....	60613

#### CLOSED SCHOOLS

.....	Beverly Bristol .....	60630
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#### COLLECTIONS

Borrower Account Status .....	Collections .....	60600
Eligibility .....	Collections .....	60600

#### COMMONLINE<sup>SM</sup>

.....	Flora Boles .....	52882
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CommonLine<sup>SM</sup> is a service mark of the National Council of Higher Education Loan Programs.

#### CUSTOMER SERVICES

Borrower Record Inquires .....	Customer Services .	1-800-824-7044
Consolidation Questions .....	Linda Sanchez .....	39599
General Program Questions .....	Customer Services .	1-800-824-7044
Loan Processing and Status .....	Customer Services .	1-800-824-7044
NSLDS Issues .....	Linda Sanchez .....	39599
Special Projects .....	Linda Sanchez .....	39599

#### COHORT DEFAULT RATES

Appeals .....	Audit/Program Review .....	36502
Rates .....	Audit/Program Review .....	36502
Reports .....	Audit/Program Review .....	36502

#### DEFAULTED LOANS

.....	Collections .....	60600
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#### DEFAULT PREVENTION

.....	(Borrowers call) .....	1-800-635-3786
Delinquent Loans .....	Default Prevention ..	1-317-578-6916
LRA Rescinds .....	Default Prevention ..	1-317-578-6916

#### DEFERMENTS

.....	Linda Sanchez .....	39599
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#### EDUCATIONAL LOAN NOTES

.....	Jim Peterson .....	36944
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#### EFT (Electronic Funds Transfer)

.....	Jim Swisk .....	37121
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#### ENTRANCE/EXIT INTERVIEW INFORMATION

Borrower Debt Management Report ..	School Services .....	36074
Brochures and Forms .....	School Services .....	36074
Videotapes .....	School Services .....	36074

#### FOREIGN SCHOOLS

.....	Customer Services .....	1-800-824-7044
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#### FORMS AND SUPPLIES

.....	Mail Room .....	60607
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#### FRAUD

False Certification .....	Sam Duncan .....	56770
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#### LENDER AND SCHOOL

<b>AUDITS AND REVIEWS</b> .....	Audit/Program Review .....	36502
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#### LENDER SERVICES

Electronic Processes .....	Lender Services .....	39639
Issues/Concerns .....	Lender Services .....	39639
Lender Agreements .....	Lender Services .....	39639
Loan Discharges .....	Beverly Bristol .....	60630
Teacher Loan Forgiveness .....	Beverly Bristol .....	60630
Total and Permanent Disability .....	Tom Montgomery .....	60613

#### LOAN PROCESSING

Borrower Record Inquiries .....	Customer Services .....	1-800-824-7044
Consolidation Questions .....	Linda Sanchez .....	39599
General Program Questions .....	Customer Services .....	1-800-824-7044
Loan Processing and Status .....	Customer Services .....	1-800-824-7044
NSLDS Issues .....	Linda Sanchez .....	39599
Special Projects .....	Linda Sanchez .....	39599

#### NSLDS QUESTIONS

.....	Linda Sanchez .....	39599
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#### OUTREACH SERVICES

College Goal Sunday .....	Peggy LaFleur .....	38319
Early Awareness Initiatives .....	Stephanie Bogard .....	12101
Financial Aid Presentations .....	Peggy LaFleur .....	38319
HS Counselor Videoconference .....	Peggy LaFleur .....	38319
Postsecondary Handbook .....	Patty Hill .....	36051
5W's Publication .....	Betty Calloway .....	39639

#### POLICY &

<b>REGULATION QUESTIONS</b> .....	Audit/Program Review .....	36502
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#### REHABILITATION

.....	Collections .....	60600
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#### REPORTS

Lender .....	Lender Services .....	39639
School .....	School Services .....	36074

#### SCHOOL SERVICES

Electronic Processes .....	School Services .....	36074
Issues/Concerns .....	School Services .....	36074
Loan Processing Scenarios .....	School Services .....	36074
Site Visits .....	School Services .....	36074

#### SSN DISCREPANCIES

Lender or Borrower .....	Teresa Phelps .....	60606
School .....	Linda Sanchez .....	39599

#### TRAINING/WORKSHOPS

School .....	School Services .....	36074
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#### WEB SITE

.....	Justin Draeger .....	31940
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